



United States  
Department of  
Agriculture

Farmers  
Home  
Administration

Washington  
D.C.  
20250

FmHA AN No. 1675 (1941)

November 23, 1987

- SUBJECT: Off-Farm Income and Eligibility for Farm Ownership (FO) and Operating (OL) Loans

TO: State Directors, State Directors-at-Large, Farmer Programs Chiefs, District Directors, and County Supervisors, FmHA

PURPOSE/INTENDED OUTCOME:

This AN is once again issued to clarify the intent of FmHA regulations pertaining to eligibility for FO and OL loans, when applicants have off-farm income. Severe financial problems now being experienced in the agricultural sector have led to a significant reduction in farm generated net income. As a result, many family farmers who depend on farming for a livelihood have been forced to seek off-farm income to continue meeting existing obligations, farm operating and family living expenses.

COMPARISON WITH PREVIOUS AN:

This AN replaces AN No. 1482(1941) which expired September 30, 1987.

IMPLEMENTATION RESPONSIBILITIES:

Some farmers who apply for FO and OL loans need significant off-farm income as a part of their total cash flow to maintain their farm business. The FmHA regulations relative to off-farm income are not intended to prevent making loans to such applicants. FmHA Instruction 1941-A, Operating Loan Policies, Procedures and Authorizations, Section 1941.12(a)(4)(i); FmHA Instruction 1943-A, Farm Ownership Policies, Procedures and Authorizations, Section 1943.12(a)(4)(i); and FmHA Instruction 1980-B, Guaranteed Loan Programs, Farmer Program Loans, Sections 1980.175(b)(1)(iv), and 1980.180(c)(1)(iv) specifically permit County Committees, when considering off-farm income, to consider special family circumstances, such as size, health, and educational requirements.

EXPIRATION DATE: September 30, 1988

FILING INSTRUCTIONS:  
Preceding FmHA  
Instruction 1941-A



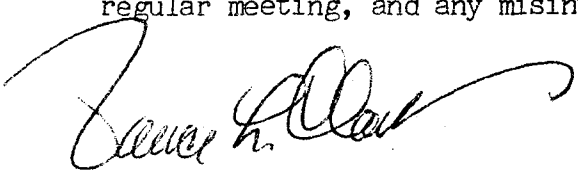
Farmers Home Administration is an Equal Opportunity Lender.  
Complaints of discrimination should be sent to:  
Secretary of Agriculture, Washington, D.C. 20250

1675(1941)

When considering applicants who are farming and have significant off farm income, it is necessary to evaluate the relationship of such income to the economic survival of the farm. However, regulations do not authorize nor should State Offices or County Committees establish a fixed amount, e.g., \$30,000/year maximum that would be applied uniformly to all applicants. When off-farm income, along with farm income, is used to pay farm debt installments, farm operating expenses, and family living expenses, this indicates that the off-farm income is deemed to be essential for an applicant to have an overall income comparable to that considered reasonably adequate in that area.

There are some applicants who have off-farm income that is also typical of other reasonably successful residents in the area. These applicants have historically depended on the off-farm income as their primary income source. These applicants are not dependant on farming for a livelihood; and therefore, did not seek off-farm income to enable them to have an income considered reasonably adequate in that area. Applicants in this category should not be considered eligible for insured or guaranteed FO or OL loans, unless their off-farm income is planned to be reduced or ended not later than 3 full crop years after the loan is closed, as provided for in FmHA regulations.

This AN should be discussed again by each County Committee at its next regular meeting, and any misinterpretations clarified.



VANCE L. CLARK  
Administrator